

3/17/98

IR-98-20

# IRS ANNOUNCES QUARTERLY INTEREST RATES

Washington -- The Internal Revenue Service today announced that interest rates for the calendar quarter beginning April 1, 1998, will be seven (7) percent for overpayments, eight (8) percent for underpayments, and ten (10) percent for large corporate underpayments. The overpayment rate for the portion of a corporate overpayment exceeding \$10,000 will be five and one-half (5.5) percent.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis, the rate on underpayments is one (1) percent higher than the rate on overpayments, and the rate for large corporate underpayments is two (2) percent higher than the rate on underpayments. The interest paid on the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the sum of the federal short-term rate plus one-half (0.5) of a percentage point. The interest rates announced today are computed from the federal short-term rate based on daily compounding determined during January 1998.

Rev. Rul. 98-17, announcing the new rates of interest, is attached and will appear in Internal Revenue Bulletin No. 998-13, dated March 30, 1998.

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Part I

Section 6621.-- Determination of Interest Rate

26 CFR 301.6621-1: Interest rate.

Rev. Rul. 98-17

Section 6621 of the Internal Revenue Code establishes different rates for interest on tax overpayments and interest on tax underpayments. Under § 6621(a)(1), the overpayment rate is the sum of the federal short-term rate plus 2 percentage points, except the rate for the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the sum of the federal short-term rate plus 0.5 of a percentage point for interest computations made after December 31, 1994. Under § 6621(a)(2), the underpayment rate is the sum of the federal short-term rate plus 3 percentage points.

Section 6621(c) provides that for purposes of interest payable under § 6601 on any large corporate underpayment, the underpayment rate under § 6621(a)(2) is determined by substituting "5 percentage points" for "3 percentage points." See § 6621(c) and § 301.6621-3 of the Regulations on Procedure and Administration for the definition of a large corporate underpayment and for the rules for determining the applicable date. Section 6621(c) and § 301.6621-3 are generally effective for periods after December 31, 1990.

Section 6621(b)(1) provides that the Secretary will determine the federal short-term rate for the first month in each calendar quarter.

Section 6621(b)(2)(A) provides that the federal short-term rate determined under § 6621(b)(1) for any month applies during the first calendar quarter beginning after such month.

Section 6621(b)(2)(B) provides that in determining the addition to tax under § 6654 for failure to pay estimated tax for

any taxable year, the federal short-term rate that applies during the third month following such taxable year also applies during the first 15 days of the fourth month following such taxable year.

Section 6621(b)(3) provides that the federal short-term rate for any month is the federal short-term rate determined during such month by the Secretary in accordance with § 1274(d), rounded to the nearest full percent (or, if a multiple of 1/2 of 1 percent, the rate is increased to the next highest full percent).

Notice 88-59, 1988-1 C.B. 546, announced that, in determining the quarterly interest rates to be used for overpayments and underpayments of tax under § 6621, the Internal Revenue Service will use the federal short-term rate based on daily compounding because that rate is most consistent with § 6621 which, pursuant to § 6622, is subject to daily compounding.

Rounded to the nearest full percent, the federal short-term rate based on daily compounding determined during the month of January 1998 is 5 percent. Accordingly, an overpayment rate of 7 percent and an underpayment rate of 8 percent are established for the calendar quarter beginning April 1, 1998. The overpayment rate for the portion of a corporate overpayment exceeding \$10,000 for the calendar quarter beginning April 1, 1998, is 5.5 percent. The underpayment rate for large corporate underpayments for the calendar quarter beginning April 1, 1998, is 10 percent. These rates apply to amounts bearing interest during that calendar quarter.

Under § 6621(b)(2)(B), the 9 percent rate that applies to estimated tax underpayments for the first calendar quarter in

1998, as provided in Rev. Rul. 97-53, 1997-52 I.R.B. 13, also applies to such underpayments for the first 15 days in April 1998.

Interest factors for daily compound interest for annual rates of 5.5 percent, 7 percent, 8 percent, and 10 percent are published in Tables 16, 19, 21, and 25 of Rev. Proc. 95-17, 1995-1 C.B. 556, 570, 573, 575, and 579.

Annual interest rates to be compounded daily pursuant to § 6622 that apply for prior periods are set forth in the tables accompanying this revenue ruling.

#### DRAFTING INFORMATION

The principal author of this revenue ruling is Raymond Bailey of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Bailey on (202) 622-6226 (not a toll-free call).

# TABLE OF INTEREST RATES

PERIODS BEFORE JUL. 1, 1975 - PERIODS ENDING DEC. 31, 1986

## OVERPAYMENTS AND UNDERPAYMENTS

PERIOD	RATE	DAILY RATE TABLE IN 1995-1 C.B.
Before Jul. 1, 1975	6%	Table 2, pg. 557
Jul. 1, 1975--Jan. 31, 1976	9%	Table 4, pg. 559
Feb. 1, 1976--Jan. 31, 1978	7%	Table 3, pg. 558
Feb. 1, 1978--Jan. 31, 1980	6%	Table 2, pg. 557
Feb. 1, 1980--Jan. 31, 1982	12%	Table 5, pg. 560
Feb. 1, 1982--Dec. 31, 1982	20%	Table 6, pg. 560
Jan. 1, 1983--Jun. 30, 1983	16%	Table 37, pg. 591
Jul. 1, 1983--Dec. 31, 1983	11%	Table 27, pg. 581
Jan. 1, 1984--Jun. 30, 1984	11%	Table 75, pg. 629
Jul. 1, 1984--Dec. 31, 1984	11%	Table 75, pg. 629
Jan. 1, 1985--Jun. 30, 1985	13%	Table 31, pg. 585
Jul. 1, 1985--Dec. 31, 1985	11%	Table 27, pg. 581
Jan. 1, 1986--Jun. 30, 1986	10%	Table 25 pg. 579
Jul. 1, 1986--Dec. 31, 1986	9%	Table 23, pg. 577

# TABLE OF INTEREST RATES

FROM JAN. 1, 1987 - PRESENT

				OVERPAYMENTS			UNDERPAYMENTS		
				RATE TABLE PG			RATE TABLE PG		
				1995-1 C.B.			1995-1 C.B.		
Jan. 1, 1987--Mar. 31, 1987	8%	21	575	9%	23	577			
Apr. 1, 1987--Jun. 30, 1987	8%	21	575	9%	23	577			
Jul. 1, 1987--Sep. 30, 1987	8%	21	575	9%	23	577			
Oct. 1, 1987--Dec. 31, 1987	9%	23	577	10%	25	579			
Jan. 1, 1988--Mar. 31, 1988	10%	73	627	11%	75	629			
Apr. 1, 1988--Jun. 30, 1988	9%	71	625	10%	73	627			
Jul. 1, 1988--Sep. 30, 1988	9%	71	625	10%	73	627			
Oct. 1, 1988--Dec. 31, 1988	10%	73	627	11%	75	629			
Jan. 1, 1989--Mar. 31, 1989	10%	25	579	11%	27	581			
Apr. 1, 1989--Jun. 30, 1989	11%	27	581	12%	29	583			
Jul. 1, 1989--Sep. 30, 1989	11%	27	581	12%	29	583			
Oct. 1, 1989--Dec. 31, 1989	10%	25	579	11%	27	581			
Jan. 1, 1990--Mar. 31, 1990	10%	25	579	11%	27	581			
Apr. 1, 1990--Jun. 30, 1990	10%	25	579	11%	27	581			
Jul. 1, 1990--Sep. 30, 1990	10%	25	579	11%	27	581			
Oct. 1, 1990--Dec. 31, 1990	10%	25	579	11%	27	581			
Jan. 1, 1991--Mar. 31, 1991	10%	25	579	11%	27	581			
Apr. 1, 1991--Jun. 30, 1991	9%	23	577	10%	25	579			
Jul. 1, 1991--Sep. 30, 1991	9%	23	577	10%	25	579			
Oct. 1, 1991--Dec. 31, 1991	9%	23	577	10%	25	579			
Jan. 1, 1992--Mar. 31, 1992	8%	69	623	9%	71	625			
Apr. 1, 1992--Jun. 30, 1992	7%	67	621	8%	69	623			
Jul. 1, 1992--Sep. 30, 1992	7%	67	621	8%	69	623			
Oct. 1, 1992--Dec. 31, 1992	6%	65	619	7%	67	621			
Jan. 1, 1993--Mar. 31, 1993	6%	17	571	7%	19	573			
Apr. 1, 1993--Jun. 30, 1993	6%	17	571	7%	19	573			
Jul. 1, 1993--Sep. 30, 1993	6%	17	571	7%	19	573			
Oct. 1, 1993--Dec. 31, 1993	6%	17	571	7%	19	573			
Jan. 1, 1994--Mar. 31, 1994	6%	17	571	7%	19	573			
Apr. 1, 1994--Jun. 30, 1994	6%	17	571	7%	19	573			
Jul. 1, 1994--Sep. 30, 1994	7%	19	573	8%	21	575			
Oct. 1, 1994--Dec. 31, 1994	8%	21	575	9%	23	577			
Jan. 1, 1995--Mar. 31, 1995	8%	21	575	9%	23	577			
Apr. 1, 1995--Jun. 30, 1995	9%	23	577	10%	25	579			
Jul. 1, 1995--Sep. 30, 1995	8%	21	575	9%	23	577			
Oct. 1, 1995--Dec. 31, 1995	8%	21	575	9%	23	577			
Jan. 1, 1996--Mar. 31, 1996	8%	69	623	9%	71	625			
Apr. 1, 1996--Jun. 30, 1996	7%	67	621	8%	69	623			
Jul. 1, 1996--Sep. 30, 1996	8%	69	623	9%	71	625			
Oct. 1, 1996--Dec. 31, 1996	8%	69	623	9%	71	625			
Jan. 1, 1997--Mar. 31, 1997	8%	21	575	9%	23	577			
Apr. 1, 1997--Jun. 30, 1997	8%	21	575	9%	23	577			
Jul. 1, 1997--Sep. 30, 1997	8%	21	575	9%	23	577			
Oct. 1, 1997--Dec. 31, 1997	8%	21	575	9%	23	577			
Jan. 1, 1998--Mar. 31, 1998	8%	21	575	9%	23	577			
Apr. 1, 1998--Jun. 30, 1998	7%	19	573	8%	21	575			

TABLE OF INTEREST RATES FOR  
LARGE CORPORATE UNDERPAYMENTS  
FROM JANUARY 1, 1991 - PRESENT

	RATE TABLE 1995-1 C.B.		PG
Jan. 1, 1991--Mar. 31, 1991	13%	31	585
Apr. 1, 1991--Jun. 30, 1991	12%	29	583
Jul. 1, 1991--Sep. 30, 1991	12%	29	583
Oct. 1, 1991--Dec. 31, 1991	12%	29	583
Jan. 1, 1992--Mar. 31, 1992	11%	75	629
Apr. 1, 1992--Jun. 30, 1992	10%	73	627
Jul. 1, 1992--Sep. 30, 1992	10%	73	627
Oct. 1, 1992--Dec. 31, 1992	9%	71	625
Jan. 1, 1993--Mar. 31, 1993	9%	23	577
Apr. 1, 1993--Jun. 30, 1993	9%	23	577
Jul. 1, 1993--Sep. 30, 1993	9%	23	577
Oct. 1, 1993--Dec. 31, 1993	9%	23	577
Jan. 1, 1994--Mar. 31, 1994	9%	23	577
Apr. 1, 1994--Jun. 30, 1994	9%	23	577
Jul. 1, 1994--Sep. 30, 1994	10%	25	579
Oct. 1, 1994--Dec. 31, 1994	11%	27	581
Jan. 1, 1995--Mar. 31, 1995	11%	27	581
Apr. 1, 1995--Jun. 30, 1995	12%	29	583
Jul. 1, 1995--Sep. 30, 1995	11%	27	581
Oct. 1, 1995--Dec. 31, 1995	11%	27	581
Jan. 1, 1996--Mar. 31, 1996	11%	75	629
Apr. 1, 1996--Jun. 30, 1996	10%	73	627
Jul. 1, 1996--Sep. 30, 1996	11%	75	629
Oct. 1, 1996--Dec. 31, 1996	11%	75	629
Jan. 1, 1997--Mar. 31, 1997	11%	27	581
Apr. 1, 1997--Jun. 30, 1997	11%	27	581
Jul. 1, 1997--Sep. 30, 1997	11%	27	581
Oct. 1, 1997--Dec. 31, 1997	11%	27	581
Jan. 1, 1998--Mar. 31, 1998	11%	27	581
Apr. 1, 1998--Jun. 30, 1998	10%	25	579

TABLE OF INTEREST RATES FOR CORPORATE  
OVERPAYMENTS EXCEEDING \$10,000

FROM JANUARY 1, 1995 - PRESENT

RATE TABLE    PG  
1995-1    C.B.

Jan. 1, 1995--Mar. 31, 1995	6.5%	18	572
Apr. 1, 1995--Jun. 30, 1995	7.5%	20	574
Jul. 1, 1995--Sep. 30, 1995	6.5%	18	572
Oct. 1, 1995--Dec. 31, 1995	6.5%	18	572
Jan. 1, 1996--Mar. 31, 1996	6.5%	66	620
Apr. 1, 1996--Jun. 30, 1996	5.5%	64	618
Jul. 1, 1996--Sep. 30, 1996	6.5%	66	620
Oct. 1, 1996--Dec. 31, 1996	6.5%	66	620
Jan. 1, 1997--Mar. 31, 1997	6.5%	18	572
Apr. 1, 1997--Jun. 30, 1997	6.5%	18	572
Jul. 1, 1997--Sep. 30, 1997	6.5%	18	572
Oct. 1, 1997--Dec. 31, 1997	6.5%	18	572
Jan. 1, 1998--Mar. 31, 1998	6.5%	18	572
Apr. 1, 1998--Jun. 30, 1998	5.5%	16	570